

The Market

Indochina index continued to fall with no positive factors to support it

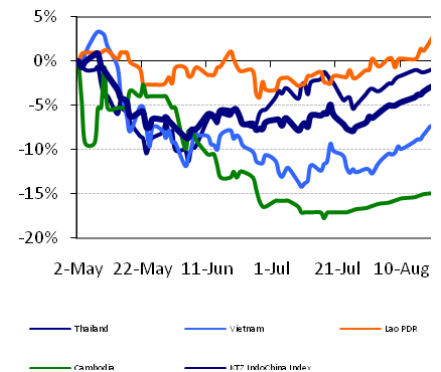
The VN index fell further by 6.61 points or 1.59% to 410.23 points after bank shares came under selling pressure. A total of 74.16 million shares worth 1.05 trillion dong were traded, or USD 50.47 million. Prices of 55 stocks went up, 190 stocks plunged while 64 stocks remained unchanged. Furthermore, MBB, DPM, HSG, PET and GAS were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index closed flat at 1,056.10 points on trading volume of 677,971 shares worth 4.36 billion kip (USD 545,000). The two listed companies, BCEL and EDL-Gen, were unchanged at 7,800 kip (USD 0.98) and 4,900 kip (USD 0.61), respectively. The Cambodian CSX index was steady at 698.9 points on light trading volume of 1,076 shares worth KHR 6.99 million (USD 1,729), with the PPWSA remaining stable at 6,500 KHR (USD 1.61).

The News

- **Asean** – Five ink deal to form rice cartel
- **Myanmar** – Myanmar drawing lots of interest from companies; should investors follow?
- **Vietnam** – Cross-border Vietnam-China trade comes to a standstill

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	576.91	1.13	0.2%
Singapore	2,454.19	11.34	0.5%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,649.79	-0.30	-0.0%
Indonesia	4,160.51	18.52	0.4%
Philippines	5,206.81	-12.70	-0.2%
Vietnam	416.84	-20.44	-4.7%
Lao PDR	1,056.10	4.08	0.4%
Cambodia	698.92	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.44	-0.00	-0.2%
Dong	20,845.00	0.00	0.0%
Kip	7,997.65	-36.60	-0.5%
Riel	4,051.70	6.70	0.2%
Kyat	871.47	-4.41	-0.5%

Per Baht	Last	Chg	(%)
Dong	662.96	1.42	0.2%
Kip	254.36	-0.62	-0.2%
Riel	662.96	1.42	0.2%
Kyat	27.72	-0.08	-0.3%

Source: Bloomberg

ASEAN – Five ink deal to form rice cartel

Five Asean rice-producing countries are joining forces to form a regional alliance with the ambitious goal to boost rice prices by 10% annually. Trade ministers from Thailand, Vietnam, Cambodia, Myanmar and Laos are scheduled to sign the agreement later this year to establish the Asean Rice Federation, said Yanyong Phuangrach, the commerce permanent secretary. The ASEAN region exports 20 million tonnes of rice a year. The cooperation will help lift rice prices, with the members agreeing that rice is not only a staple but also a main source of revenue. Mr Yanyong predicts that after setting up the federation, export prices for premium white rice could rise to US\$660 a tonne from \$580-600. “A 10% rise each year is acceptable and will not have significant effect on consumers. The cooperation can stabilize rice prices and ensure food security in the region”, said Yanyong in a press briefing yesterday. Thailand also plans to open free-trade zones along its borders by yearend to mill rice for neighboring countries that lack the facilities to prepare and process rice for exports such as mills, silos and processing units. However, Korbsook Iamsuri, president of the Thai Rice Exporters Association, questioned the wisdom of raising prices by 10%, fearing a conflict of interest with Asean members such as Indonesia and the Philippines that are major customers. In her view, the federation would be better off focusing on production standards and environmentally friendly cultivation. *After leading the world in rice exports for nearly 50 years, Thailand is expected to ship 6.5 million tonnes this year - just behind Vietnam, which will likely emerge as the No. 2 exporter behind India, according to US data. The US Agriculture Department’s recent downward revision of its world rice production forecast to 463 million tonnes from 465 million tonnes due to natural disasters should be positive to the rice price trend for the region.*

Myanmar – Myanmar Drawing lots of interest from companies; Should investors follow?

The global behemoths are wasting little time getting into Myanmar, Southeast Asia’s second largest nation. Visa (V) said this week, for example, it was beginning to train local banks to use electronic payments. PepsiCo (PEP) earlier this month reached a deal to distribute its beverages through a local partner, following Coca-Cola, which decided to re-enter Myanmar, formerly known as Burma, in June. The firm’s Wasatch International Opportunities fund (WAIOX) owns Singapore-listed Super Group (S10.SI), which has the No.3 position in coffee products in the country and is positioned to capture the potential growth in the emerging consumer market in the region. The fund also owns Singapore-listed Parkson Retail Asia (093.SI), which just announced a joint-venture company to operate department stores in Myanmar. *The flow of new investment into this emerging country should continue based on the attractive growth prospects. The Asian Development Bank released a report this week saying the country could grow at 7 to 8% a year—growth rates that are getting much harder to find these days in emerging markets. “Myanmar could be Asia’s next rising star, but for this to happen there needs to be a firm and lasting commitment to reform,” said Stephen Groff, ADB’s Vice President for East Asia, Southeast Asia and the Pacific.*

Vietnam – Cross-border Vietnam-China trade comes to a standstill

Vietnam’s exports to China across the border gates have dropped sharply since March, 2012. Meanwhile, it is believed the situation will last to the end of October at least. The border gate in Mong Cai district of Quang Ninh province has been closed for the last month, thus making the cross-border goods exchange stagnant. The cross-border import-export activities have also become quiet since June at the Tan Thanh border gate in Lang Son. The Chinese authorities have strengthened inspections of goods, people and transport vehicles, and intensified food quarantines. Earlier this year, about 300-400 vehicles carried goods crossed the border a day. Meanwhile, the figure dropped to 200 in early August. In the first seven months of the year, exports going through the Mong Cai border gate reached 2.607 billion dollars, equal to just 79 percent of that of the same period last year. *The reason behind the export slowdown is the reinforcement of the supervision, anti-smuggling and quarantine activities. One or two such campaigns are carried out by the Chinese side every year, each of which lasts one or two months. The slowing of trade may somewhat worsen Vietnam’s current weak economic environment. This year’s GDP growth is now expected to be lower than 5% against average growth of above 6% in the past three years.*